

Industry Cluster Progress Report

- March 1999 -

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Governor's Council on Economic Competitiveness and Technology:

Membership List

Mission, Structure and Responsibilities

Overview

The industry cluster initiative continues to make significant progress towards its goal of enhancing the ability of Connecticut's businesses and workforce to compete more effectively in the global marketplace. The purpose of this report is to highlight the progress, as well as to identify the challenges involved in bringing about the significant changes that will be necessary to be successful.

In December, the Governor's Council on Economic Competitiveness and Technology had its first meeting. The value of the Council was quickly validated in their recommendations regarding Bradley International Airport. This has resulted in a unique agreement between the Department of Transportation (DOT) and the Department of Economic and Community Development (DECD).

DOT and DECD will jointly select a world renowned airport manager to provide guidance to DOT over the next four months. During this time period, DOT must make critical decisions that will shape the airport's future and competitiveness for the next decade. By drawing heavily upon the extensive experience and knowledge of a premier airport manager, DOT will sharply improve the chance of Bradley becoming a powerful engine of economic growth for the region and a recognized world class transportation center.

The industry cluster initiative challenges all sectors to collaborate in new ways. As the leader of the cluster initiative, the Governor's Council is causing all of us to focus on competitiveness and innovation through investments in technology and people. At the same time, the Council is stressing the importance of energetically and creatively doing battle with the weighty forces of the status quo. By stressing these multiple priorities, the Governor's Council is challenging its members and all of us to come up with new, result-oriented strategies and then to implement them with determination and speed.

While we have a way to go before we can achieve these objectives, the industry cluster and economic foundation advisory boards will continue to be the cornerstone of our progress.

James F. Abromaitis
Commissioner
Department of Economic
& Community Development

William J. Kaufmann
Chairman & CEO
Connecticut Economic Resource
Center, Inc.

PROGRESS REPORT

A. Cluster Activation

CHALLENGE

To be successful, the private sector must lead the industry cluster initiative. Active government participation during the early stages is also essential. However, the industry cluster concept can be difficult to grasp. Therefore, cluster activation will require persuasive explanations of the practical, bottom-line value of participating.

PROGRESS

1. BioScience

Connecticut United for Research Excellence, Inc.'s (CURE) partnership with the Connecticut State Department of Economic and Community Development (DECD) formalized CURE as Connecticut's BioScience Cluster. The restructured Board includes the top leadership from the BioScience Cluster.

In addition to oversight of the current year work plan, the Cluster leadership has held a series of group and individual meetings to develop a long term plan for the growing Cluster. Elements of this plan deal with growth strategies for the cluster, including work on the Small Business Job Opportunities Expansion Act of 1999, additional resolution of the lab space shortage, image building, education, and training.

Highlights of the Cluster's completed action steps defined by their four goals and priorities are as follows:

- Stimulate and enable the growth of existing companies, facilitate formation of new bioscience companies and promote the recruitment of companies from outside of Connecticut.

Completed Action Steps:

- a) An analysis of financing and economic incentive packages.
- b) An annual analysis of laboratory space needs. A public release is anticipated for early April.
- c) A questionnaire for available real estate sites was developed to inventory existing lab space and to detail facility support.

- Facilitate information exchange and communication among Cluster members.

Completed Action Steps

- a) Annual membership meeting.
- b) Half day seminar on clinical research collaboratives.
- c) Quarterly informational seminars (real estate, legal, accounting, venture capital).

- Publicize and promote the Cluster's socioeconomic contributions and potential.

Completed Action Steps

- a) Quoted in more than 75 press stories.
- b) Annual economic survey.
- c) Strategic marketing plan.

- Collaborate in the development of a skilled and entrepreneurial work force to meet the future needs of the Cluster companies.

Completed Action Steps

- a) Sponsored three biotech seminars for 130 high school teachers and students.
- b) Promoted bioscience careers via a mailing of 5,000 posters to schools statewide.
- c) Distributed 350 copies of a school-to-career video for biosciences along with discussion guides.

BIOTECHNOLOGY FACILITIES FINANCING

This initiative, resulted directly from the recommendations from the Bioscience Cluster, continues to make significant progress.

A consulting firm was selected through an RFP process and engaged in December 1998 to develop and implement a biotech real estate financing program reflective of industry standards. The consultants have been addressing underwriting policy and criteria, funding sources and availability, investment management and capital structure alternatives. Policy and procedures recommendations should be completed by May 1999.

Connecticut Innovations Life Sciences Specialist has worked closely with the consultants and biotechnology companies to develop and implement the Initiative. A part-time real estate finance manager will be hired to administer the program in conjunction with the Life Sciences Specialist, when the current consulting assignment is complete. Pending that hire, the consultants have provided real estate finance deal-making expertise.

An outreach program has been launched, reaching commercial bankers, insurance companies, real estate investment trusts, developers, brokers and others. Two major biotech facilities developers will be hosted over the next two weeks. At least two major banks and two insurers have expressed strong interest in participating in the program. A breakfast for the real estate finance industry has been scheduled for April 14, 1998.

Connecticut Innovations continues to approve and negotiate with business and real estate developers for viable projects that will positively impact the industry. For example, \$4.3 million has been approved in direct lending for companies such as Genaissance Pharmaceuticals Inc., Molecular Staging/PolyGenomics, and Matthews Ventures. These company projects: 1) leveraged approximately \$22.5 million in private investment; 2) renovated and improved 35,000 sq. ft. of space in Science Park and New Haven Life Sciences Center; and 3) retained 54 jobs and will create 121 jobs within 5 years.

In addition, Connecticut Innovations is in negotiations for a total of \$17 million to invest in either a specific company or in a biotechnology incubation space totaling 30,000 sq. ft. to house two new businesses to start with the potential of assisting 2 additional businesses. Based upon inquiries from other existing biotech, the balance of the \$30 million fund could be largely committed within 12-15 months. Discussions are also ongoing with several groups that are seeking to develop new biotech parks, as well as out-of-state firms considering relocations.

2. AeroSpace

A group of seven aerospace component manufacturers have planned and initiated pilot implementation of a program to strengthen Connecticut's Aerospace Cluster by enhancing the productivity of its sub-tier suppliers. The program has four main elements, each planned and managed by a separate team of representatives from the seven companies:

- Manufacturing Practices: Learning and training in lean manufacturing methods as adapted to the small company business sector.
- Workforce Development: Creating and managing a standing curriculum for raising the general manufacturing competency of the incumbent workforce.
- Business Practices: Establishing vehicles for learning and implementing modern methods for improving the commercial productivity of small companies, e.g. implementing ISO processes and/or selective consolidated purchasing.
- Special Programs: Tasks focused on managing the growth of the group, e.g., recruiting other companies to the program, establishing a legal entity and governance structure, setting a business/financial plan, creating an intra-group communications vehicle and conducting focused market studies.

The activities of the teams are overseen by a Steering Committee made up of the company presidents. A detailed proposal to DECD has been outlined for support to build the group to a 60 company level and self-sustaining state over a two-year period. The proposal is targeted for a mid-April delivery to DECD.

3. Photonics

To better understand the issues facing the photonics industry and its size and impact on Connecticut's economy, Northeast Ventures, Inc. prepared an in-depth assessment and statistical analysis of the companies involved.

This report provides background on photonics technology and its applications. Harnessing two types of light, coherent and incoherent, photonics is used in a wide variety of industries, including: information technology, weapons, telecommunications, health care and life sciences, manufacturing processes and optical sensing. Photonics is a broad, enabling technology applied in a wide variety of products that serve multiple markets.

Because the use of photonics is so broad, many of the companies can be placed in various industry clusters. Consequently, the challenge for the photonics companies is to determine whether to try to establish a self-standing photonics cluster, link with another larger industry group, or even strengthen their connection to the Massachusetts photonics cluster that has a much larger number of companies and sizeable university commitments.

Clearly, Photonics is a technology on the rise and deserves the support from the State. Therefore, DECD will continue to work closely with the leadership of the photonics companies to determine the most viable activities that will positively impact their industry.

4. Software/Information Technology

Connecticut Technology Council's business leaders will spearhead the effort to organize and activate the Software and Information Technology cluster.

The Cluster's vision is for Connecticut to be nationally recognized, widely respected, and to be a preferred location for vibrant and growing software and information technology companies, including related services and support industries.

While the industry in Connecticut is significant, local companies have not fully capitalized on this situation. Three of its obstacles have been an acute workforce shortage, the current perception that Connecticut does not have high visibility and a high profile for the industry, and businesses are often isolated and separated from one another.

It is anticipated within the next few months that DECD will receive a proposal for funding to assist with the organization and activation of the Cluster.

5. CT Marine

The Ocean Technology Foundation (OTF) has taken the responsibility to identify and explore the opportunities by creating a Marine Cluster.

OTF's deliverables to date include: a) the launching of the cluster's web site; and b) the recruitment of 11 companies to be members of the Cluster's Advisory Board. The board along with OTF will identify the industry needs and priorities. The Board's first meeting is scheduled for early April.

6. Other Industries

Aqua-Agriculture business leaders continue to explore the potential and opportunities for their industry to organize through the Industry Cluster Initiative.

B. Manufacturing Resource Center

CHALLENGE

The Manufacturing Resource Center (MRC) shaped by the Manufacturing Cluster is aimed at helping smaller Connecticut manufacturers take advantage of lean manufacturing processes and advanced technology. Without adopting these practices, these firms will not be able to compete on a global basis.

PROGRESS

Manufacturing Resource Center (MRC)

Implementation of the MRC has remained the CONN/STEP program's highest priority since July 1998 including:

- Incorporating Manufacturing Cluster Committee members on the CONN/STEP Board of Governors and establishing a Lean Manufacturing subcommittee;
- Establishing working relations with the *Lean Enterprise Institute* founded by John Womack, who wrote the groundbreaking book *Lean Thinking*;
- Assisting over 50 manufacturers initiating lean activities, including assessments, plant layout, process improvement and introducing quality systems;
- Sponsoring two seminars in October and February with over 100 smaller manufacturers attending where they were briefed on Lean concepts, participating in a teaching simulation, and heard from 4 Connecticut manufacturers, large and small, on how they implemented Lean. A third program is planned for April;
- Publishing the bi-monthly *Advantage* newsletter with a *Lean Corner* in each issue dedicated to Lean practices. CONN/STEP's web page has been reorganized providing information about Lean activity, contacts for email discussions and the ability to search a database of over 450 articles and case studies through the web site;
- Establishing working relationships with over 10 regional and national consultants specializing in Lean practices and providing for discounts in their fees when working through the MRC;
- Cost-sharing for first-time users has been instituted along with discounted rates from private consultants available through CONN/STEP; and
- Working with the national Manufacturing Extension Partnership to develop and support a program aimed at serving Pratt & Whitney suppliers.

C. Workforce Development

CHALLENGE

Business leaders involved in the Industry Cluster Initiative agreed that the single most important determinant to long term competitiveness is Connecticut's ability to retain and attract a highly qualified workforce. The marketplace is becoming increasingly technology dominated, requiring employees to have a broad range of skills, as well as a high level of comfort in science, mathematics, technology and communications. This is as true of the modern manufacturing companies as it is for high-tech companies. At the same time, there remains a negative perception about manufacturing as a desirable career path, and training programs have been inadequate in their quality and recruiting effectiveness.

The fundamental strategy recommended by the industry cluster advisory boards is to create a series of proactive, demand-driven training initiatives which can overcome the many impediments to progress.

PROGRESS

1. Cluster-based Networks for Training and Education

There is a strong need for continuous training and education throughout an employee's career. The perception is that the private sector is not yet sufficiently motivated to become involved in shaping the training and educational system. They are normally uncomfortable collaborating with their competitors, fear government programs, controls, regulations and bureaucracies. The current system is perceived as supply-side driven and thus not efficiently linked or tied to their needs.

In an effort to overcome these impediments and allow Connecticut businesses to remain competitive and sustain growth, several demand-driven workforce development initiatives have been outlined under the leadership guidance of the cluster Workforce Development Advisory Board.

Among the initiatives underway is the creation of small Business Training Networks. These Networks will engage small companies and get them to clearly define their specific employment and training needs. It will also provide the means for small and medium size businesses to work with training providers to help shape curricula, internships, on-the-job training programs, and help in obtaining funding for these demand-based training programs.

In conjunction with the Department of Labor and the Connecticut Economic Resource Center, the Department of Economic and Community Development has begun to launch the Connecticut Business Training Networks program. The marketing and proposal solicitation process will commence on May 1, 1999. Matching seed grants will be awarded to eligible Network participants upon completion of the review and selection process. Training Networks will be guided through the developmental phases until the Networks are self-sustaining, funded by participating members. The goal is to create 10 Business Training Networks over the next year.

2. Technical Education Pilot Programs

The Manufacturing Cluster, with the endorsement from the Department of Economic & Community Development (DECD) and the Department of Education (DOE), established and will oversee four technical education pilot programs. DECD will provide a total of \$420,000 to support this effort.

The objectives of the pilot programs are: 1) to create secondary technical education top quality pilot programs; link technical resources and traditional high school experiences; and optimize program successes by replicating and implementing the strategy throughout the state s secondary school systems.

In addition, it is the intent that these programs will provide students strong academics and state of the art manufacturing training with the allowance for them to benefit from the traditional school experience.

In October of 1998, DECD sent out the Request for Proposals. Ten proposals were received in November. During the month of December the proposals were evaluated and announcement/selections were made in January 1999.

The four programs chosen and the award amounts are as follows:

- A. Northeastern Connecticut Manufacturing Initiative - \$175,000
 - Serves 15 towns in Northeast CT
 - Students from Tourtellotte Memorial High Scholl/H.H. Ellis Technical High School will participate in a split day program.
 - 36 students, 18 from each school will participate in the program
- B. Manufacturing Advanced Placement Program - \$150,000
 - Serve towns in Middlesex County
 - Students from Vinal Technical High School and schools within the Middlesex Consortium will participate in a split-day program.
 - 18 students are anticipated to enroll in the program.
- C. Manufacturing Technology Cooperative Program - \$75,000
 - Serves Naugatuck Valley Students, including Waterbury
 - Students from Waterbury s three public schools and Kaynor Technical High School will participate in a three week rotation program
 - It is likely that in the first year 18 students will register in the program.
- D. Windsor Public High School - \$20,000
 - Serves students at Windsor High School
 - Students will complete a sequence of courses utilizing the school s upgraded manufacturing equipment and computer aided drafting labs.
 - 25 students, first year are targeted to enroll in the program.

Funding for this program was set up as a matching challenge grant in order to encourage local industry to participate in the program. To date, it has received a pledge from two manufacturers to contribute \$10,000 each toward the program.

A quarterly reporting mechanism is in place to maintain communication amongst DECD, DOE and the Manufacturing Cluster on the status of each program.

3. Precision Machine Training Program

The Precision Machine Training Program endorsed by the Manufacturing Cluster was established to train and upgrade skills of the workforce, specifically in precision manufacturing. This program gained financial support totaling \$1.6 million in private, federal, and state funds.

This program is a partnership of a group of area manufacturers and three community-technical colleges. It provides 780 hours of instruction, including class work, hands-on experience with a variety of machine tools and job shadowing at manufacturer s plants. Students are certified based on the National Tooling and Machining Association standards for Level I machinist upon successful completion. Classes started in February of 1998. Ninety-five students have already graduated. 95% have obtained employment. The second cycle is underway and will be completed in the second quarter of 1999. Eighty-two students are enrolled.

D. Bradley International Airport

CHALLENGE

The industry cluster *Partnership for Growth* report identified Bradley International Airport as a critical asset for Connecticut. Bradley faces a number of challenges to achieving its full potential. These include its geographic location, increasing competition from other airports for airlines and passengers, implementation of its capital and expansion program, and constraints on the direct control of key revenues and expenditures.

In addition, there are 2,600 acres of publicly and privately owned land in the four towns surrounding Bradley (East Granby, Suffield, Windsor and Windsor Locks), as well as within the airport property. The development of some of this property for expanded industrial usage could enhance the economic strength of the towns and improve Bradley's competitive posture.

PROGRESS

1. Public - Private Sector Management of Airport Functions

A world-wide study of public-private sector airport management arrangements was completed in November. Based upon the results of this comprehensive review, there was a strong consensus on the part of the cluster Transportation Infrastructure Advisory Board that DOT would be well served to draw upon the expertise and experience of some major airport management companies.

In December 1998, the Governor's Council reviewed and approved the advisory board's recommendation and asked DOT to postpone for 60 days the signing of the contract for building the new parking facility. The objective was to allow DOT, DECD and the advisory board the time to have serious discussions with some of the world's leading airport managers about Bradley. DOT agreed, and on January 19 and 20, this team met with eight airport managers. All of these firms shared their views on: (1) improving customer service; (2) attracting new carriers and expanding service; (3) increasing the variety and quality of retail stores; (4) methods of increasing revenues and cutting costs; (5) broadening responsiveness to the neighboring communities; (6) promoting the efficient capital development of Bradley; and, (7) operating the airport more like a business in addition to being a transportation asset for the State.

In February, DOT, DECD and the Governor's Council agreed upon immediate action steps to better leverage the unique strengths of DOT and the private sector to help insure that Bradley becomes a truly world class airport and a commercial engine for growth in the region. This agreement was based upon the recognition that Bradley is at a critical juncture in its development. Major construction projects are about to commence, including a new terminal, a parking garage, expanded hotel facilities and a co-generation facility. These commitments and the airline negotiations underway will shape Bradley's future in the 21st century.

Accordingly, DECD, working in conjunction with DOT, issued an RFP to select one of the premier airport management companies to review Bradley's business, customer service, operations, management and design plans. Six airport management companies responded to the RFP (Frankfurt Main AG, Hamburg GAC, Manchester Airport PLC, National Express, Schiphol Project Consult B.V. and the Vienna Airport Group). One of these will be selected and begin in April. They will work with DOT and an advisory team from DECD, the Governor's Council and representatives of the Bradley Commission.

2. Developing Publicly and Private Owned Land Near Bradley

In cooperation with the four towns and the Bradley Development League, DECD selected the consulting team of Hagler Bailly, Inc., Diversified Technology Consultants and Frasca & Associates to explore options for intensifying development in the Bradley area. The towns are reviewing the first draft of this study, along with the cluster advisory board and DECD

This study has proceeded on two parallel tracks. First, they have identified and reviewed local factors that may affect the development around Bradley. These include the amount of developable land, transportation access, airport noise issues, zoning regulations, approval processes, and other infrastructure availability and costs. Second, they have reviewed other business partnerships and development models around the country that will offer useful lessons for promoting development in the Bradley area.

The final report will:

- Present key physical, regulatory, financial and market factors that a master planning process should take into account;
- Identify new strategies and organizational options, as well as appropriate funding levels necessary to successfully promote and develop the properties in the Bradley area

The report and recommendations will be completed in April.

E. Urban Development

CHALLENGE

For years policy makers have looked at inner cities as problem areas - areas where businesses are so disadvantaged that they need special assistance and incentives in order to survive. Work in inner-city economic development is often based on this problem orientation. The challenge is to engage business, government, and non-profit leaders to develop a common strategy in their respective cities of Hartford, New Haven, Bridgeport, Waterbury, and New Britain for the purposes of strengthening inner-city business growth. This initiative will develop and implement a strategy to transform thinking, reinvigorate market forces, and engage the private sector in fostering healthy economies in Connecticut's inner cities which will in turn create jobs, income, wealth, and economic opportunities for local residents. This initiative will accelerate the development and growth of businesses and provide a new vision for economic development.

Despite the challenges facing companies located in distressed areas of our major cities, there are, in fact, a large number of businesses located there. Despite the disadvantages of high taxes and utility costs, there are underlying competitive advantages that bind businesses to these locations. Among these competitive advantages are: the ability to reside near high rent business centers, entertainment complexes, and nodes of transportation and communications; the unmet consumer and business demand; the opportunity to link into areas of strength in the regional economy; and a stable and underutilized workforce with entrepreneurial potential. This new inner city strategy will reinforce and supplement current economic development efforts in each city, give cities the tools to build on its competitive advantages, engage the private sector in inner city business growth, and work to alleviate existing competitive disadvantages.

The industry cluster leadership recommended putting in place a business strategy that would require an understanding of what is unique about each inner city, how to build upon that cities' advantages, and develop a plan to eliminate or reduce the many disadvantages to conducting business in our urban centers.

PROGRESS

The industry cluster leadership recognizes that while Connecticut is facing economic prosperity, there is a pressing need to broaden that prosperity base to citizens residing in the inner cities. Looking through the lens of business opportunity, the cluster leadership views Connecticut's inner cities as the new frontier of entrepreneurship. The **Connecticut Inner City Business Strategy** initiative has been launched to provide an overall competitive strategy for inner city economic development. It is designed to build the capacity and commitment of key stakeholders to motivate action in their own communities.

Connecticut Inner City Business Strategy

In partnership with the Initiative for a Competitive Inner City (ICIC), the Governor's Council has launched the **Connecticut Inner City Business Strategy**. Through this initiative, ICIC will train and support research teams from five major cities to develop and implement strategies for inner-city economic revitalization.

ICIC has developed a unique process and methodology for assessing an inner city economy and developing strategies for inner city business growth, which it will share with the five city teams.

A half day public presentation, by Harvard Business School Professor Michael E. Porter, Founder, Chairman and CEO of ICIC, was held on March 11th at the United Technologies Research Center in East Hartford, for the purposes of launching the project. Over 200 key leaders from the corporate sector, municipalities, and non-profit organizations were in attendance. The event had statewide media

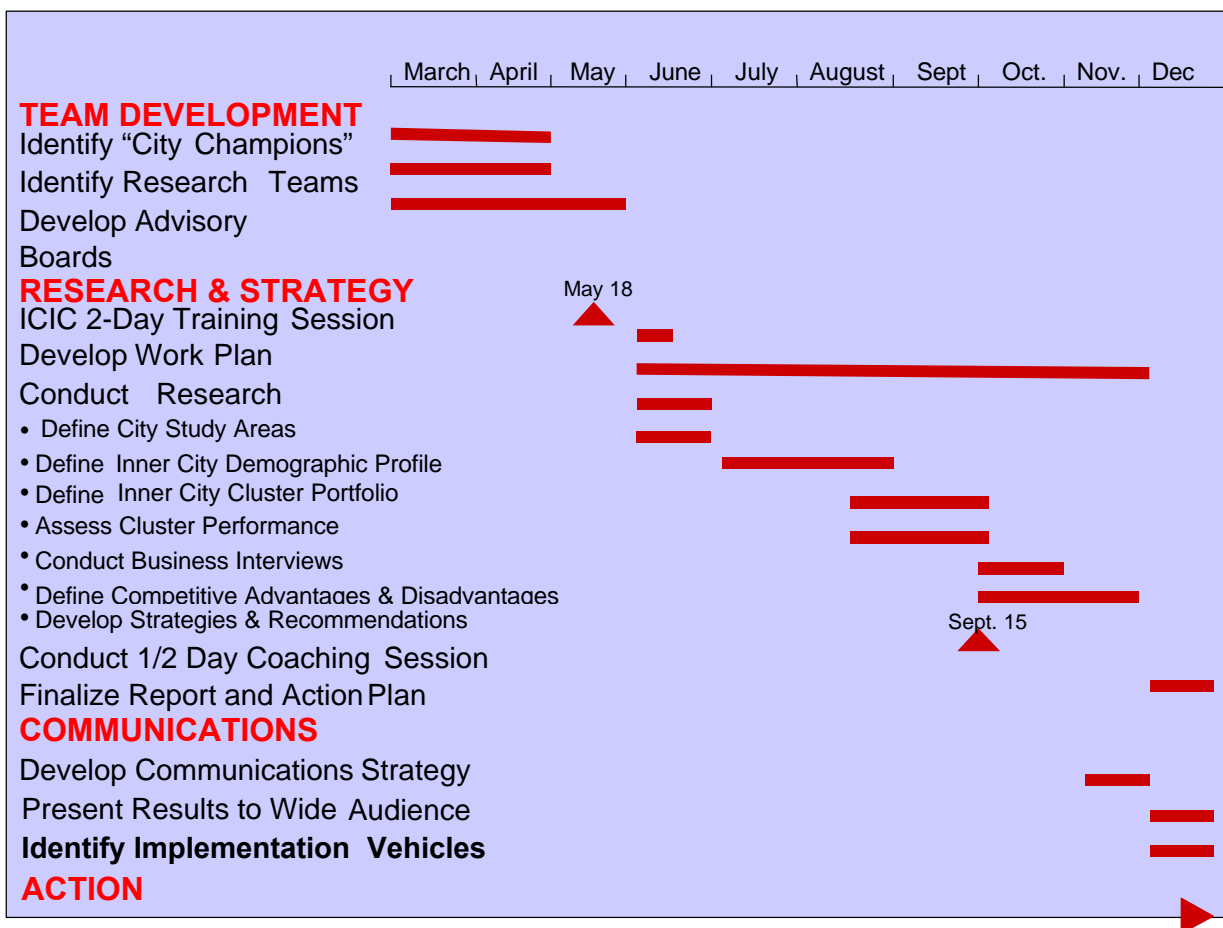
representation in the areas of television, radio and newspaper media. The search is now underway for City Champions from each of the five cities.

The City Champion along with the Advisory Board from each city will identify a Research Team who will be trained by ICIC to conduct a benchmark study and develop strategies for business growth. The City Champion will also spearhead efforts to raise a modest level of funds to support the project locally.

Once each City Champion is identified, an Initial City Meeting of interested participants in each city (potential advisory board and research team members) will be scheduled to strategize on developing the rest of the team and timeline for the project. The purpose of this city meeting is to provide technical assistance to the City Champion and build momentum and excitement to assist in his/her recruitment efforts.

Once teams have been identified, ICIC will conduct an intensive two day training session on conducting an Inner City benchmark Study and developing and implementing strategies for inner city business growth. May 18th is the projected date for this training session.

Throughout the stages of developing the teams, training, performing the actual research, advising and completion of the development plan, the Governor's Council and DECD, in conjunction with ICIC, will announce key findings and publicize inner city strategies. This promotion of the project will be ongoing, covering all stages of the initiative.



National Search for Successful Urban Improvement Models

As part of Connecticut's Economic Competitiveness Strategy the Local Initiatives Support Corporation (LISC), a prominent urban organization located in 41 cities throughout the United States performed a national search of model programs. Based on industry cluster recommendations outlined in the Partnership for Growth: Connecticut's Economic Competitiveness Strategy, LISC assembled and analyzed information on current trends in areas of urban development and program models that are appropriate for implementation in Connecticut.

LISC completed a national search detailing over 75 model programs across the country. Program models were selected based on the importance of corporate involvement in urban development, application of regional economic strategies, growth in economic empowerment models as an alternative to social welfare programs, and capacity building of urban small business and non-profit sectors. LISC also researched the program's applicability to Connecticut's inner cities. Upon completion of the national search, LISC submitted a Phase I Report that outlined urban economic and community development programs in the areas of:

- Urban Education
- Business Development
- Tax and Financing Incentives
- Transition-To-Work

Of these 75 programs, four to six program models in each of the above categories were selected for the purposes of receiving an in-depth analysis. Each program will be analyzed with an eye toward its adaptability to a Connecticut inner city and possible linkages to cluster activities. Once a full-scale analysis with a budget is completed on each of the selected models, a recommendation to the Governor's Council for program implementation and/or legislative action will be made.

Those programs selected for this full-scale analysis are listed below along with brief explanations of their purpose:

Urban Education Program Models

Berkeley Biotechnology Education Institute (BBEI)
Bayer Pharmaceuticals
Berkeley, CA
Unique two-part education to employment program.

Capital Area Training Foundation (CATF)
Holiday Inn, Advance Micro Devices (AMD), Adams Extract, Motorola
Austin, TX
Assists at-risk and out-of-school youth to re-enter the education and training system.

Health Careers High School
Northside (San Antonio), TX
Prepares students for an occupation in the health care field as well as to strive for career and educational excellence.

Medical Intern Program
Danbury, CT
Provides high school juniors and seniors work-based learning opportunities in the medical field.

National Academy Foundation (NAF)

Traveler's Group
New York, NY
Combines the knowledge and experience of education, business, and government leaders to better prepare public high school students for their future.

Networking Academies

Cisco Systems
San Jose, CA
Prepares students for the opportunities of the information economy while creating a qualified talent pool for building and maintaining education networks.

Business Development

National Foundation for Teaching Entrepreneurship (NFTE)
New York, NY
Builds entrepreneurial skills among low-income youth and adults, enabling them to pursue economic self-sufficiency.

Small Business Bonding Program

Baton Rouge, LA

Provides technical assistance, business and finance training, contracting certification, and surety bond guarantees to economically disadvantaged contractors and businesses.

Precision Wood Products

Hartford, CT

Furniture factory that will employ 24 neighborhood and city residents and train them in production work and the operation of state of-the-art computerized machinery.

Urban Initiatives Fund (UIF)

Boston, MA

Provides loans and technical assistance to strengthen minority-owned business firms with less than \$500,000 in annual sales.

Local Initiative Support Corporation (LISC)

Hartford, CT

Revitalization of inner city commercial corridors to strengthen the economy, improve the physical appearance of the area and provide both business and employment opportunities for residents.

Self Employment & Enterprise Development Program (SEED)

San Francisco, CA

Provides assistance to the entrepreneurial-minded, low and moderate-income residents through training, technical assistance, and help in obtaining start-up capital.

Tax and Financing Incentives

Chicago TIF Program

Chicago, IL

Public-private investments made in TIF districts have bolstered city's efforts to expand neighborhood development and opportunities to create and retain more than 28,000 permanent jobs thereby improving the quality of life for families.

Economic Development Zones (EDZ)

Albany, NY

Created to stimulate economic growth through a variety of financial incentives designed to attract new businesses and to enable existing businesses to expand and create more jobs.

Neighborhood Revitalization Program (NRP)/Common Project

Minneapolis, MN

In partnership with government and others residents, neighborhood stakeholders identify and address resident concerns by developing a Neighborhood Action Plan utilizing revenue from a Community Development Agency's Common Project, to meet some of the critical redevelopment needs of neighborhoods.

Urban Enterprise Zones

Trenton, NJ

Enterprise zones are established in economically distressed cities throughout the state and about 30% of a city are designated as an Urban Enterprise Zone with zone incentives.

Transition-To-Work

Chrysalis

Los Angeles, CA

Enables the hardest to employ which are clients whose employability is very low based on lack of work history, skills and personal barriers, to become employable and to secure employment.

CitySoft

Boston, MS

Recognizing that information technology such as the World Wide Web will drive economic growth for the next generation, this program employs residents of technologically isolated and lower income communities and enables them to access the mainstream information economy.

Project Match

Chicago, IL

Welfare to work program that has developed the Pathways System in which community volunteering and parent-child activities are considered stepping-stones to employment.

Strive

New York, NY

Employment training and placement program that places great emphasis on attitudinal training, which includes behaviors such as punctuality, communication, and taking constructive criticism considered necessary for successful employment.

Enterprise Zone Legislation

A public hearing before the Commerce Committee was held on March 16th regarding the Enterprise Zone Legislation (House Bill 7026). DECD is currently working with the legislature to draft legislation that will reorganize and restructure the Connecticut Enterprise Zones statutes. Currently, the Connecticut Enterprise Zone Statutes, amended many times since their original enactment in 1978, are very confusing. DECD's proposed legislation does not substantially change the meaning of the statutes, but recodifies the program so it will be able to be more clearly understood by the small businesses and the municipal governments who are the primary users of the programs.

F. Regulatory Environment

CHALLENGE

The *Partnership for Growth* report highlighted the need to bring about immediate improvements in the regulatory environment. While progress has been made, there remains a broad scale consensus that further actions are needed to create a competitive, efficient, fair and flexible regulatory system. For example, with more than 27 agencies issuing over 900 licenses, registrations and permits, regulatory compliance is much too cumbersome, confusing and costly for medium and small businesses in Connecticut.

PROGRESS

Smart Start is a unique new business registration service initiated by OPM and DECD and overseen by the Connecticut Economic Resource Center (CERC). It simplifies the business registration process by offering free guidance, provides a central location where business owners can fill out the many agencies' forms, and allows the firm to write one check to cover all appropriate fees. Access to this service is made available through a 1-800 number, and aggressive marketing of its availability has begun throughout the State. A radio ad recently aired over a three-week period, resulting in 25 inquiries thus far. Additionally, circulation of a direct mail brochure has been completed and a utility bill insert appeared in CL&P's March billing. A bill insert is planned for United Illuminating's April billing and approval from other utilities is anticipated. The total number of inquiries resulting from marketing are approximately 150 per month. Monthly licensing assistance calls are approximately 70 and internet inquiries resulting from the web-site average 69 per month.

G. Marketing

CHALLENGE

A key finding of the industry Clusters Marketing Advisory Board was the recognition that in this aggressive and competitive global environment Connecticut needs a more cohesive, sustained and consistent promotional effort.

Connecticut is a superior location and has numerous other unique advantages. Yet the State's image has not been fully leveraged due in part to multiple slogans over recent years from Yankee Ingenuity at Work, The Land of Steady Habits and the Nutmeg State to The State That Thinks Like a Business and Connecticut Where Technology's Going.

Connecticut needs a unifying, sustainable image, which articulates and answers the question: Why Should I be Here?

It will take some time to create a plan and generate the resources needed to sustain a comprehensive, long-term promotional effort. While those efforts get underway, smaller campaigns focused on the immediate needs of Connecticut businesses, such as workforce development, will be planned and executed.

Marketing Connecticut's key industry clusters needs to be accelerated to generate awareness, support and involvement. Emphasis on public relations, events, limited advertising and direct mail will help to keep people informed and involved.

PROGRESS

1. Establishing a Consistent Image and Identity

The Marketing Advisory Board has completed the positioning concept that forms the basis of Connecticut's new image and promotional campaign. A new slogan (tag line) has been developed with the help of some of the nation's top creative writers, and it is currently being tested among key audiences. The next step is to develop plans for a comprehensive, multi-year promotional campaign.

2. In-State Campaign to Halt the Brain Drain

The first campaign is set to kickoff this summer. Through the use of the new tag line, the campaign is designed to retain and attract graduating high school seniors, college students, recent graduates and young professionals.

This will be supplemented in the fall with the first wave of reinforcing business advertising. *Connecticut Companies Making a Difference* will be aired on key radio stations throughout the State. It will highlight companies who are sponsoring the cluster initiative and focus on the exciting jobs, training and career opportunities available to young professionals.

3. Business Campaign in the Fall

In addition to reinforcing the career opportunity themes, a business retention and recruitment campaign will be launched in the fall. The new tag line has been created to focus on business leaders and entrepreneurs, as well as on young adults.

The Connecticut Economic Resource Center, Inc. (CERC) will be utilizing its staff and resources to coordinate and oversee these promotional campaigns. The cluster Marketing Advisory Board will be called upon quarterly to review plans and concepts, and provide advice and direction for the overall effort. In addition, a higher education advisory board will be used to guide the direction and content of the campaign.

Rapid Response Team

CHALLENGE

As detailed in *Partnership for Growth: Connecticut's Economic Competitiveness Strategy*, published in February 1998 by Connecticut's Industry Cluster Advisory Boards, a critical element to success is the state's ability to respond quickly and effectively to businesses considering Connecticut for relocation or expansion. At present, various private and public organizations participate in this effort, with varying degrees of success and customer satisfaction. The concept of a Rapid Response Team is envisioned as a formal structure integrating the myriad economic development, regulatory, financing, training and education and other organizations to meet the needs of companies in a streamlined fashion. The overall goal of Rapid Response is to develop a systematic approach that will set Connecticut apart as *the* nation's leader in attracting and welcoming business.

PROGRESS

A Connecticut consulting firm has been retained to review the resources involved in the business recruitment and development process. Their task is to evaluate how these resources can be best coordinated to achieve the strategic business development goals of the State. The elements of this project include:

1. Identify all State departments that regulate or provide services to businesses, and state, regional and local organizations that receive and/or generate location and expansion inquiries.
2. Conduct interviews with representatives from the primary agencies responsible for managing the inquiry process (i.e., CDA, CERC, CII and DECD).
 - Identify the challenges and opportunities faced by each organization
 - Identify the information requirements needed for qualifying opportunities
 - Confirm how businesses and business prospects are tracked and managed by each group
3. Interview selected company representatives regarding their experience in relocating to or expanding in the state.
 - Identify strengths and weaknesses of the process
 - Confirm their experiences and satisfaction
 - Identify how the Rapid Response process could be enhanced

4. Identify and interview businesses that have relocated to other states:
 - Determine the reasons for their decision
 - Confirm the services provided by the State agencies involved
 - Confirm their experiences and satisfaction
 - Identify how the Rapid Response process could be enhanced
5. Interview cross-section of business brokers, attorneys, lobbyists and business referral sources regarding their experiences with current response mechanisms; solicit ideas to enhance the program.
6. Contact other states regarding their Business Recruitment approach:
 - Identify those states most successful in attracting new businesses
 - Determine which states Connecticut competes against most often
 - Determine the structure of their operations
 - Identify strengths and weaknesses of the process
 - Confirm success stories
 - Determine improvement activities underway
7. Meet with leadership from relevant State agencies having regulatory control over business for their input into the current response process.
 - Create ideas for streamlining and improving a Rapid Response System
8. Develop detailed recommendations for a coordinated, Rapid Response System.

H. International

PROGRESS

- DECD's Emerging Market Strategy now has In-Country Trade Representatives in six markets: Sub-Saharan Africa, Mexico, Brazil, Argentina, Israel, and China.
- DECD's international specialists field over 140 commercial inquiries per month and have networked extensively; 85 on-site company visits; 6 protocol engagements with various government officials; and 3 trade seminars.
- Organized an African Advisory Committee made up of executives from major and developing companies, professional international businesses, academia and legislators. *Africa Business Conference '99*, scheduled for April 20 & 21, 1999 will officially launch the state's Africa Initiative. In December, the Equator Group, Connecticut's representative in Africa completed its initial trade deal in Africa.
- Connecticut will participate in a regional trade effort with the other five New England states. All participating states will head to Germany on April 24, 1999 with a total of 24 companies from the region. This event is focused on promoting New England's biotech, software and electronic components industries. Currently an In-Country Representative for Germany has been selected to assist in the attraction of foreign direct investment and trade.
- Major publicity and informational pieces on international trade in Connecticut were launched in *Port Connecticut* and *Northeast Export Magazine*.
- Connecticut's new Brazilian representative, Magda Volker, assisted in planning Senator Lieberman's fall 1998 visit to Sao Paulo. In March 1999, Ms. Volker made her first official visit to Connecticut which included official presentations and on-site company visits.
- A Connecticut-Israel Biotech Conference is being planned for October 1999 by the Connecticut-Israel Exchange Commission (CONNIX). CONNIX has facilitated \$2 million in sales to Israel over the last six months.
- In February 1999, Connecticut's China representative visited the state and met with sixteen companies to discuss export opportunities to China. Over the past six months, eight companies have already concluded export agreements in China.
- DECD is currently working with 16 foreign companies to relocate or start new operations in Connecticut, including: 6 German, 1 French, 1 Swiss, 4 Chinese, 1 Japanese, 1 Swedish, 1 Russian, and 1 Spanish company.

I. Legislation **Small Business Job Opportunities Expansion Act of 1999**

Small Business Job Opportunities Expansion Act of 1999
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This Cluster Bill sets forth the legislative recommendations of Connecticut's most prominent and successful business leaders. The objective is to enhance Connecticut's economic competitiveness and make Connecticut a more attractive location for entrepreneurs and investors. The legislative initiatives put forth by the cluster advisory group were designed to draw start-up, high-tech, small businesses and high paying career opportunities into Connecticut.

What the legislation will do:

1. Raise the Net Operating Loss Carry-Forward Period (NOL) from 5 to 20 years

Typically, start up and innovative high tech companies are defined by their willingness to take on risk. For example, a company's development of a new drug typically takes sixteen years from raising start-up capital, to research and development of concepts to shepherding products through the regulatory process and finally, to product marketing.

An NOL extension creates a level playing field for small companies. A longer NOL will eliminate an unfair tax on phantom income .

Connecticut's NOL is the lowest in the country. Thirty states are at the federal NOL level of twenty years. Raising the NOL carry forward period to twenty years will make Connecticut more competitive with other states in soliciting new, innovative small companies to locate here.

2. Create an R&D tax credit exchange

Small Connecticut companies that qualify for an R&D tax credit but lack a tax liability against will be able to use the credit to:

- (a) make one-time election to carry the credit forward under existing law; or
- (b) exchange the credit with the State for a payment equal to 80% of the credit's value.

Often, small companies (under \$100 million in annual revenue) have little or no income and cannot use the credits. They're often made targets for acquisition by larger companies and/or creates an incentive for new ventures to organize as partnerships or limited liability corporations.

The R&D tax credit exchange allows companies a means to cash in what would otherwise be unusable tax credits, allowing them to plow more resources back into R&D.

3. Eliminate capital gains tax on investments in small Connecticut Companies held for at least three years

The elimination of capital gains tax on investments in small Connecticut companies held for three or more years is designed to make Connecticut an attractive place to start a business. Companies will form here because it will be easier to attract capital here.

The Cluster Bill was unanimously approved by the Connecticut General Assembly's Commerce Committee on March 30.

The legislation is now under review by the Finance Committee. After this review probably completed at the end of April the bill will be put before the General Assembly for consideration.

To garner support for the Cluster Bill, DECD together with several companies, the CDA and CII, has commissioned a study by PricewaterhouseCoopers. The study will assess the costs and benefits of the Cluster Bill, ultimately showing that any tax revenue reductions resulting from the legislation are more than offset by the economic growth caused by the bill. DECD and several companies are also hosting a tour of several small high tech companies and a dinner for legislators on April 29. This event will provide a unique opportunity to explain the competitive benefits of legislation such as the Cluster Bill.

APPENDIX

GOVERNOR S COUNCIL ON ECONOMIC COMPETITIVENESS AND TECHNOLOGY:

- **MEMBERSHIP LIST**

- **MISSION, STRUCTURE, AND RESPONSIBILITIES**

Governor's Council on Economic Competitiveness and Technology

Co-Chairman

John G. Rowland
Governor

James C. Smith
Chairman & CEO
Webster Bank

Vice Chairman

Marc C. Breslawsky
President & CEO
Pitney Bowes

Constance F. Galley
President & CEO
TSI International Software, Ltd.

Charles E. Gooley
President & CEO
Yankee Gas Service Company

Daniel J. Miglio
Chairman (Ret.)
Southern New England Telephone

Michael G. Morris
Chairman, President & CEO
Northeast Utilities Service Company

Robert E. Patricelli
Chairman, President & CEO
Women's Health USA, Inc.

Carol P. Wallace
President & CEO
Cooper Instrument Corporation

Council Members

James F. Abromaitis
Commissioner
Department of Economic and
Community Development

Philip E. Austin, Ph.D.
President
University of Connecticut

Thomas O. Barnes
Chairman of the Board
Barnes Group, Inc.

Wallace Barnes
Chairman
Connecticut Employment & Training
Commission (CETC)

Leonard Bell, M.D.
President & CEO
Alexion Pharmaceuticals

Gary P. Bennett
President & CEO
Analysis & Technology

Barry H. Berman
President
CRN International

Christopher P. Bruhl
President & CEO
Southwestern Area Commerce &
Industry Association (SACIA)

James P. Butler
Commissioner
Department of Labor

Catherine C. Candland
President & CEO
Advantage Staffing Services, L.P.

David E. A. Carson
Chairman & CEO
People's Bank

Shaun Cashman
Business Manager
Laborers' International Union of
North America Local 611

William J. Cibes
Chancellor
Connecticut State University
Hartford

James R. Claffee
Chairman, President & CEO
Citizens Bank of Connecticut

Joseph C. Corbo
Vice President & Chief Operating
Officer
Physical Therapy & Sports Medicine
Associates

Karen A. Coughlin
President & CEO, Northeast Region
Foundation Health Systems, Inc.,
Physicians Health Services

Philip D. Cusano
President & CEO
Stamford Health Systems

Leslie S. Cutler, D.D.S., Ph.D.
Chancellor
UCONN Health Center

Daniel D. Dechamps
President & CEO
Trumpf, Inc.

Kenneth O. Decko
President
Connecticut Business & Industry
Association (CBIA)

Anthony J. DeMaria
Chairman & CEO
DeMaria Electro-Optics Systems

Judith DePaul
Vice Chairman & CEO
IBP Aerospace Group

David D. Eramo, Ph.D.
President & CEO
Saint Francis Hospital and
Medical Center

Andrew G. DeRocco
Commissioner
Department of Higher Education

Arthur H. Diedrick
Chairman of Development
Connecticut Development Authority

Peter M. Donovan
President & CEO
Wright Investors Service

Senator M. Adela Eads
Minority Leader Senate
30th District

Robert W. Fiondella
Chairman, President & CEO
Phoenix Home Life Mutual
Insurance Co.

Emil H. Frankel, Esq.
Counsel
Day, Berry & Howard

Claire L. Gaudiani, Ph.D.
President
Connecticut College

Chris A. Gentile
President
Certified Ambulance Group

R. Nelson Griebel
President & COO
MacDermid, Inc.

Janice M. Gruendel, Ph.D.
Executive Director
Connecticut Voices for Children

Raymond J. Huey
(Acting) President
Corometrics Medical Systems

Peter S. Janson
President & CEO
ABB, Inc.

Senator George C. Jepsen
Majority Leader Senate
27th District

William J. Kaufmann
Chairman & CEO
Connecticut Economic Resource
Center, Inc. (CERC)

Karl J. Krapek
President
Pratt & Whitney Aircraft

Marvin Lender
Vice Chairman
M&M Investments, LLC

Bruce H. Leslie
Chancellor
Board of Trustees of Connecticut
Community-Technical Colleges

Richard C. Levin, Ph.D.
President
Yale University

Moir K. Lyons
Representative
Speaker of the House
146th District

Arthur C. Marguardt
President & CEO
Connecticut Natural Gas

Lawrence McHugh
Vice Chairman
Connecticut Tourism Council

Thomas J. McInerney
President
Aetna Retirement Services

E. Phillip McKain
President
CTE, Inc.

John Meehan
President
Hartford Hospital

Michael P. Meotti
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Connecticut Economic Conference
Board (CECB)

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President
Pfizer, Inc., Central Research Division

Thomas H. O'Brien, Jr.
President
First Union National Bank

Howard Odom
President
Ortronics

John D. Opie
Vice Chairman
General Electric Company

Harry H. Penner
President & CEO
Neurogen, Inc.

David B. Pudlin
Representative
Majority Leader House
24th District

Elaine A. Pullen
President & CEO
Trident International, Inc.

Douglas B. Rose
President
Aero Gear

Marc S. Ryan
Secretary
Office of Policy and Management

Theodore S. Sergi, Ph.D.
Commissioner
Department of Education

Albert R. Subbloie
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Information Management
Associates, Inc.

Senator Kevin B. Sullivan
President Pro Tempore Senate
5th District

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Chairman & Chief Executive Officer
Farmstead Telephone Group, Inc.

Harry J. Torello
President & CEO
Anthem Blue Cross/Blue Shield of CT

Robert M. Ward
Representative
Minority Leader House
86th District

Allen Weintraub
Chairman & CEO
Advest Group, Inc.

John K. Welch
President
Electric Boat Corporation
General Dynamics Co.

Janis M. Wertz-Hadley, Ed.D.
President
Housatonic Community-Technical
College

Nathaniel D. Woodson
President & CEO
United Illuminating

Mission, Structure and Responsibilities

MISSION:

- **Make Connecticut a prime location in which to start or grow a business, and create secure, fulfilling and well paid career opportunities.**
- **Promote innovation, productivity and competitiveness through industry cluster economic development.**
- **Act as a vehicle and voice to put forward the views and suggestions of industry clusters that are created.**
- **Oversee the implementation of the cluster recommendations in the *Partnership for Growth* report.**

STRUCTURE and RESPONSIBILITIES:

Governor's Council:

The Governor's Council is co-chaired by the Governor and a prominent business leader. The Governor appoints members of the Council. It consists of business and legislative leaders, along with top executives from academic and medical institutions, organized labor, non-profit organizations, and key government agencies.

Two meetings will be held each year, with the option of additional special sessions. One meeting will be held prior to each General Assembly session, and the second meeting will be held during or shortly after the close of each session. Only Council members can attend these meetings.

Executive Committee:

The Executive Committee is made up of the co-chairs and vice chairs. Vice Chairs will represent different industries and geographic areas of the State.

Cluster Leadership Committee:

The Cluster Leadership Committee consists of the Executive Committee members and the chairs of Industry Clusters, and Economic Foundation and Issue Advisory Boards. Its responsibility is to provide ongoing guidance and support to the Governor, legislative leaders, and the Commissioner of Department of Economic and Community Development in their attempts to improve Connecticut's competitiveness.

Economic Foundation and Issue Advisory Boards:

Economic Foundation and Issue Advisory Boards are created by the Governor's Council in order to:

- further research key issues identified as constraints to business competitiveness in Connecticut;
- develop strategies to implement recommendations put forward by industry clusters to overcome major impediments to their success; and
- identify methods of assisting government agencies in effectively responding to the needs of Connecticut's businesses and citizens.

Membership on the Economic Foundation and Issue Advisory Boards can consist of a wide cross-section of Connecticut stakeholders. They will be people whose knowledge and influence can help shape and implement cluster priorities, and bring about constructive change in these areas.